

LE MARS COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITORS' REPORT

JUNE 30, 2006

**LE MARS COMMUNITY SCHOOL DISTRICT  
FOR THE YEAR ENDED JUNE 30, 2006  
TABLE OF CONTENTS**

	<b>Page</b>
List of Officials	1
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report	2 - 3
Management Discussion and Analysis	4 - 14
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-Wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16 - 17
Governmental Fund Financial Statements:	
Balance Sheet	18 - 19
Statements of Revenues, Expenditures, and Changes in Fund Balances	20 - 21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Proprietary Fund Financial Statements:	
Statement of Revenue, Expenses and Changes in Net Assets	23
Statement of Cash Flows	24
Fiduciary Fund Financial Statements:	
Statement of Net Assets	25
Notes to Financial Statements	26 - 35
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Revenues, Expenditures, and Changes in Balances - Budget and Actual (Cash Basis) - General Fund and Major Special Revenue Funds	36
Notes to Required Supplementary Information - Budgetary Reporting	37
<b>SUPPLEMENTAL INFORMATION</b>	<b>Schedule</b>
Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund	1      38 - 42
Combining Balance Sheet - Governmental Nonmajor Funds	2      43
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Nonmajor Funds	3      44
Schedule of Individual Student Activity Account Activity	4      45 - 46
Statement of Changes in Assets and Liabilities - Agency Fund	5      47
Comparison of Taxes and Intergovernmental Revenues and Receipts	6      48
<b>SINGLE AUDIT SECTION</b>	
Schedule of Expenditures of Federal Awards	7      49
Schedule of Findings and Questioned Costs	8      50 - 54
Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	55 - 56
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	57 - 58
Corrective Action Plan	59

**LE MARS COMMUNITY SCHOOL DISTRICT**

**LIST OF OFFICIALS**

**June 30, 2006**

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**Board of Education (Before September 2005 Election)**

		Term Expires
Cris Collins	President	2007
Dr. Leon Scott	Vice President	2006
Dr. Mark Stelzer	Board Member	2007
Patrick Murphy	Board Member	2007
Daniel Smith	Board Member	2005
Dr. Chuck Holz	Board Member	2006
Marjorie Franke	Board Member	2005

**Board of Education (After September 2005 Election)**

Dr. Leon Scott	President	2006
Dr. Mark Stelzer	Vice President	2007
Chris Collins	Board Member	2007
Patrick Murphy	Board Member	2007
Daniel Smith	Board Member	2008
Dr. Chuck Holz	Board Member	2006
Marjorie Franke	Board Member	2008

**School Officials**

Dr. Todd Wendt	Superintendent	2006
Lisa Holton	District Secretary	2006
Kim Clarey	District Treasurer	2006
Bauerly, Trotzig & Bauerly	Attorney	2006



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P.O. Box 1010  
Le Mars, IA 51031  
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Fax (712) 546-6543

## INDEPENDENT AUDITORS' REPORT

To the Board of Education of  
Le Mars Community School District  
Le Mars, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Le Mars Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Le Mars Community School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Le Mars Community School District as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2006 on our consideration of the Le Mars Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Le Mars Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplemental information, included in Schedules 1 through 8, including the accompanying Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

*Williams & Company, P.C.*  
CERTIFIED PUBLIC ACCOUNTANTS

Le Mars, Iowa  
August 9, 2006

## LE MARS COMMUNITY MANAGEMENT DISCUSSION AND ANALYSIS

Le Mars Community School District provides this Management Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

General fund revenues increased from \$14,480,075 in fiscal year 2005 to \$15,148,747 in fiscal year 2006, while General fund expenditures increased from \$14,687,221 in fiscal 2005 to \$15,662,337 in fiscal 2006. The District's General fund balance decreased from \$2,683,859 in fiscal 2005 to \$2,255,652 in fiscal 2006, a 15.95% decrease.

The increase in General fund revenues was attributable to an increase in state foundation aid in fiscal 2006. The increase in expenditures was due primarily to an increase in the negotiated salaries and benefits.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Le Mars Community School district as a whole and present an overall view of the District's finances.

The Fund financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Le Mars Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds and Capital Project Fund. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

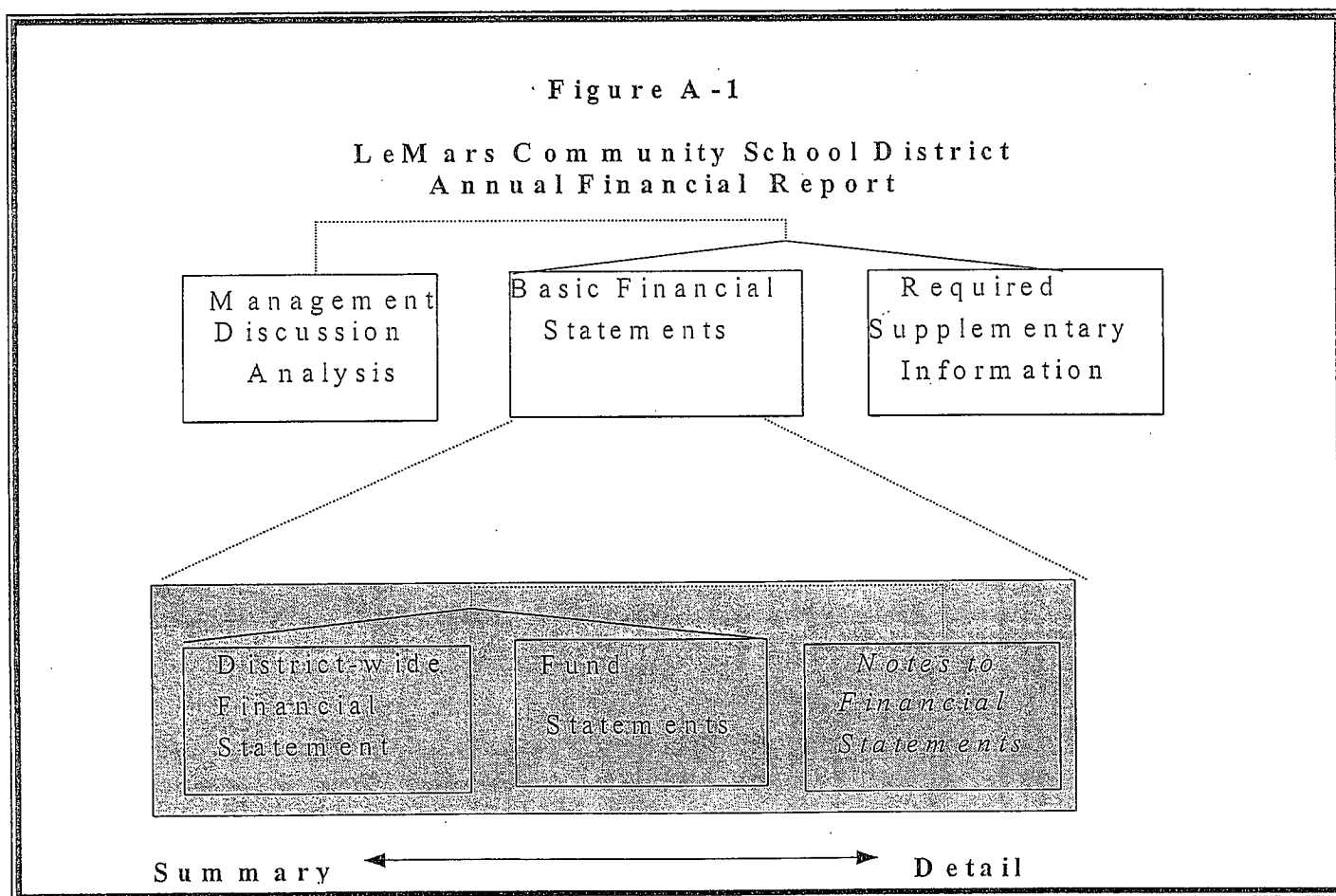


Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2: Major Features of the District Wide and Fund Financial Statements</b>				
	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:



- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help it cover the costs of certain services it provides. The District's nutrition program is included here.

## Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1.) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2.) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3.) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. The District's only fiduciary fund is an agency fund for the District's flex cafeteria plan for employees. The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes this activity from the government-wide statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## Government-Wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2006.

Figure A-3							
Condensed Statement of Net Assets June 30, 2006							
	Governmental Activities		Business-type Activities		Total District		Total % Change
	2005	2006	2005	2006	2005	2006	
Current and other assets	\$10,742,163	\$11,453,156	\$44,493	\$34,010	\$10,786,656	\$11,487,166	6.49%
Capital Assets	7,367,921	7,803,215	7,446	11,026	7,375,367	7,814,241	5.95%
<b>Total assets</b>	<b>\$18,110,084</b>	<b>19,256,371</b>	<b>\$51,939</b>	<b>45,036</b>	<b>\$18,162,023</b>	<b>19,301,407</b>	<b>6.27%</b>
Long-term debt outstanding	690,000	290,000	-	-	690,000	290,000	(57.97%)
Other Liabilities	6,889,399	7,639,827	12,269	11,707	6,901,668	7,651,534	10.86%
<b>Total Liabilities</b>	<b>7,579,399</b>	<b>7,929,827</b>	<b>12,269</b>	<b>11,707</b>	<b>7,591,668</b>	<b>7,941,534</b>	<b>4.61%</b>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	6,677,921	7,513,215	7,446	11,026	6,685,367	7,524,241	12.55%
Restricted	425,589	361,159	-	-	425,589	361,159	(15.14%)
Unrestricted	3,427,175	3,452,170	32,224	22,303	3,459,399	3,474,473	.43%
<b>Total net assets</b>	<b>\$10,530,685</b>	<b>\$11,326,544</b>	<b>\$39,670</b>	<b>\$33,329</b>	<b>\$10,570,355</b>	<b>\$11,359,873</b>	<b>7.47%</b>

The District's combined net assets increased by 7.47% from \$10,570,355 to \$11,359,873. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$65,000 or 15. % from the prior year. The decrease was primarily a result of a budgeted reduction.

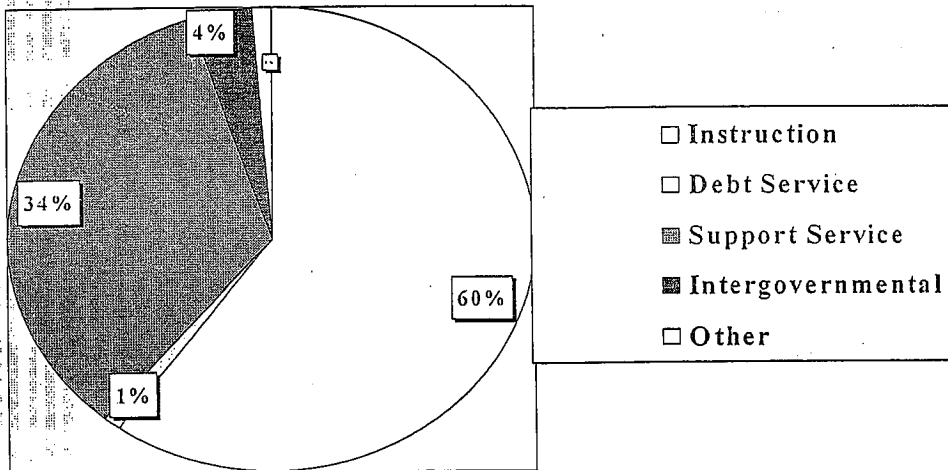
Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased approximately \$15,000 or .73% from the prior year

**Changes in net assets** – Figure A-4 shows the changes in net assets for the year ended June 30, 2006.

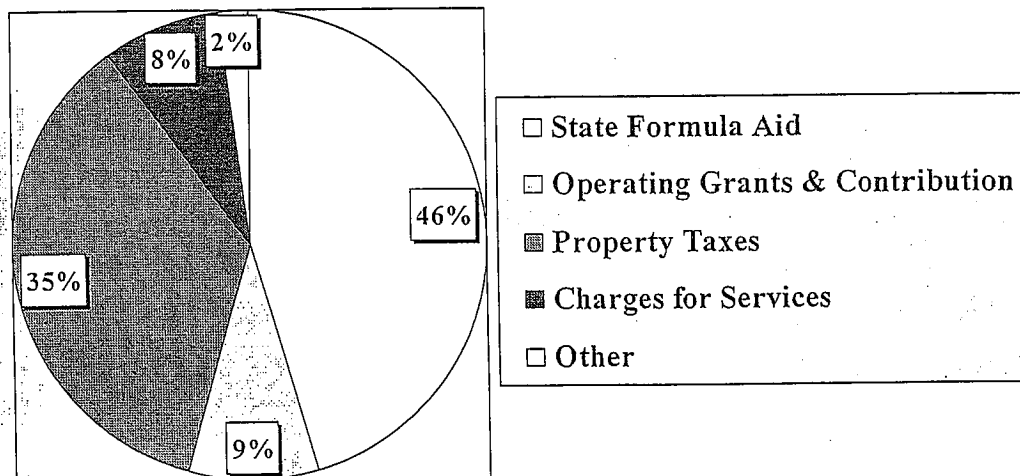
Figure A-4							
Changes in Net Assets from Operations							
	Governmental Activities		Business-type Activities		Total District		Total % Change
	2005	2006	2005	2006	2005	2006	
Revenue							
Program Revenues							
Charges for Services	\$1,077,569	\$1,190,108	\$311,841	\$313,514	\$1,389,410	\$1,503,622	8.22%
Operating Grants							
Contributions	1,480,186	1,528,901	260,100	281,930	1,740,286	1,810,831	1.25%
Capital Grants & Cont.							
General Revenues							
Property Tax	6,625,062	6,604,139	-	-	6,625,062	6,604,139	(.32%)
State Aid	8,137,839	8,484,101	-	-	8,137,839	8,484,101	4.25%
Other	161,553	303,955	121	283	161,674	304,238	88.18%
Transfers	(88,823)	(81,051)	88,823	81,051	-	-	
<b>TOTAL REVENUES</b>	<b>17,393,386</b>	<b>18,030,153</b>	<b>660,885</b>	<b>676,778</b>	<b>18,054,271</b>	<b>18,706,931</b>	<b>3.36%</b>
Expenses							
Instruction	10,771,765	10,824,393	-	-	\$10,771,765	10,824,393	.49%
Support Services	4,458,607	5,457,440	654,389	686,516	5,112,996	6,143,956	20.16%
Debt Services	67,292	123,156	-	-	67,292	123,156	83.01%
Intergovernmental	662,771	685,660	-	-	662,771	685,660	3.45%
Non-Instructional Program							
	74,133	143,645	-	-	74,133	143,645	93.77%
<b>TOTAL EXPENSES</b>	<b>16,034,568</b>	<b>17,234,294</b>	<b>654,389</b>	<b>686,516</b>	<b>16,688,957</b>	<b>17,920,810</b>	<b>7.38%</b>
<b>INCREASE(DECREASE)</b>	<b>\$1,358,818</b>	<b>\$ 795,859</b>	<b>\$ 6,496</b>	<b>\$ (6,341)</b>	<b>\$ 1,365,314</b>	<b>\$ 789,518</b>	<b>(45.74%)</b>

Property tax, local option sales tax, and unrestricted state aid accounts for 81% of the total revenue. The District's expenses primarily relate to instruction and support services, which accounts for 95% of the total expenses.

**Figure A-6**  
**Expenses for Fiscal Year 2006**



**Figure A-5**  
**Sources of Revenues for Fiscal Year 2006**



## Governmental Activities

Figure A-7 presents the cost of four major district activities: instruction, support services, debt services, and intergovernmental. The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial impact placed on the taxpayers by each function.

Figure A-7

Net Cost of Governmental Activities	Total Cost of Services		% Change	Net Cost of Services		% Change
	2005	2006		2005	2006	
Instruction	\$10,771,765	\$10,824,393	.49%	\$8,995,396	9,673,844	7.54%
Support Services	4,458,607	5,457,440	22.40%	4,356,138	4,597,545	5.5%
Non-Instructional	74,133	143,645	93.77%	57,987	120,740	108.22%
Debt Service	61,898	29,253	(52.74%)	61,898	29,253	(52.74%)
Other Expend.	5,394	93,903	1640.8%	5,394	93,903	1640.8%
Intergovernmental	662,771	685,660	3.45%			
<b>TOTAL</b>	<b>\$16,034,568</b>	<b>\$17,234,294</b>	<b>7.48%</b>	<b>\$13,476,813</b>	<b>\$14,515,285</b>	<b>7.71%</b>

- The cost financed by users of the District's programs was \$1,190,108.
- Federal and state grants subsidized programs with grants totaling \$1,480,186 for 2005 compared to \$1,528,901 for 2006.
- The net cost of governmental activities was financed with \$6,604,139 in property and other taxes and \$8,484,101 in unrestricted state grants.

## Business-Type Activities

Revenues of the District's business-type activities (school food and nutrition services) totaled \$680,175 and expenses totaled \$686,516 (Refer to Figure A-4.) Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

## Individual Fund Analysis

As previously noted, Le Mars Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,877,329 compared to a fund balance of \$3,895,492 for fiscal 2005.

## **GOVERNMENTAL FUND HIGHLIGHTS**

The decrease in the District's General Fund financial position is the result of many factors. Growth during the year in state aid resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in the General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.

The Physical Plant and Equipment Levy (PEEL) Fund balance decreased from \$120,035 in fiscal 2005 to \$38,800 in fiscal 2006. This decrease is due to the increased expenditures for fiscal 2006.

The Management Fund balance decreased from \$21,409 in fiscal 2005 to \$13,882 in fiscal 2006. This decrease is also due to the increased spending in fiscal 2006.

The Debt Service Fund balance was relatively consistent with an increase from \$16,420 in fiscal 2005 to \$16,623 in fiscal 2006.

The Capital Project LOST fund balance increased by \$477,031 to \$1,260,518, this increase will be used to finance future school expansions.

## **PROPRIETARY FUND HIGHLIGHTS**

The School Nutrition Fund net assets decreased from \$39,670 at June 30, 2005 to \$33,329 at June 30, 2006, representing a decrease of approximately 16%. The decrease was largely due to the increase in food and transportation costs.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year utilizing statutorily prescribed procedures. The District's budget is prepared on the cash basis. During the year expenditures did not exceed the certified amounts.

There was some small variance in the District's budget in comparison to actual results. Total actual revenue was 16.4% greater than budgeted, while total actual expenditures were 2.7% less than budgeted. Detail can be found in the supplementary information section of this report as required.

## Capital Asset and Debt Administration

### Capital Assets

By the end of 2006, the District had invested \$16,061,124 in a broad range of assets, including school infrastructure and equipment. (See Figure A-8) **(More detailed information about capital assets can be found in Note 4 to the financial statements.)** Total depreciation expense for the year equaled \$551,940.

Figure A-8 – Capital Assets						
	Governmental Activities		Business-Type Activities		Total District	
	2005	2006	2005	2006	2005	2006
Land	\$393,275	\$393,275	\$ -	\$ -	\$393,275	\$393,275
Const. In Progress	-	290,985	-	-	-	290,985
Buildings	10,783,705	11,134,100	-	-	10,783,705	11,134,100
Equip/Fur./Vehicles	3,963,806	4,195,479	42,348	47,285	4,006,154	4,242,764
<b>Total</b>	<b>\$15,140,786</b>	<b>\$16,013,839</b>	<b>\$42,348</b>	<b>\$47,285</b>	<b>\$15,183,134</b>	<b>\$16,061,124</b>

### Long-Term Debt

At year-end, the District had \$290,000 of general obligation bonds outstanding. See Figure A-9 below.

Figure A-9					
Outstanding Long-Term Debt					
Bonds		Notes		Total District	
2005	2006	2005	2006	2005	2006
-	-	\$690,000	\$290,000	\$690,000	\$290,000

## **Factors Bearing on the District's Future**

At the time these financial statements were prepared, the District was aware of the following existing circumstances that could affect its financial health in the future:

- The improving national economy has not positively impacted the State of Iowa's budget to the point where adequate state funding has become a reality. In addition, recent natural disasters in the Gulf Coast region of the United States will most assuredly impact the national economy, gasoline and diesel fuel prices, and the cost of utilities for district buildings. It remains to be seen the specific impact of these events on federal, state and local budgets.
- Under Iowa's school funding formula, the District is highly dependent on student enrollment. We have experienced modest growth the last several years, the count completed in September 2005 shows an enrollment increase of about 16 students.
- Other noteworthy factors-
  - The District's 1991 bond was paid off during FY 2005.
  - The District's Capital Loan Notes will be paid off during FY 2007.
  - The District began receiving revenue from a one (1) cent local option sales tax during FY 2005. This tax was voted in for ten (10) years and will provide very significant revenue for capital repairs and improvement.
  - The District's total tax levy rate is comparatively quite low at \$11.81 per \$1,000 taxable valuation for FY 2006.

## **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional financial information, contact Rick Kentfield, Assistant Superintendent, Le Mars Community School District, 921 3<sup>rd</sup> Ave. SW, Le Mars, IA 51031.



**LE MARS COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
June 30, 2006

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and Pooled Investments	\$ 5,342,981	\$ 20,117	\$ 5,363,098
Investments	39,057		39,057
Receivables:			
Property Tax	70,002		70,002
Succeeding Year Property Tax	5,576,862		5,576,862
Accrued Interest	39,225		39,225
Accounts	15,384		15,384
Interfund Activity	(1,063)	1,063	-
Due from Other Governments	370,708		370,708
Inventories		12,830	12,830
Land	393,275		393,275
Construction in Progress	290,985		290,985
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	7,118,955	11,026	7,129,981
<b>Total Assets</b>	<b>19,256,371</b>	<b>45,036</b>	<b>19,301,407</b>
<b>LIABILITIES</b>			
Accounts Payable	375,555	139	375,694
Salaries and Benefits Payable	1,201,267	373	1,201,640
Accrued Vacation Payable	416,018	50	416,068
Accrued Interest Payable	1,124		1,124
Deferred Revenue:			
Succeeding Year Property Tax	5,576,862		5,576,862
Other	-	11,145	11,145
Noncurrent Liabilities:			
Debt Due Within One Year:			
Bonds Payable	290,000		290,000
Compensated Absences	69,001		69,001
<b>Total Liabilities</b>	<b>7,929,827</b>	<b>11,707</b>	<b>7,941,534</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	7,513,215	11,026	7,524,241
Restricted for:			
Management Levy	13,882		13,882
Physical Plant and Equipment Levy	38,800		38,800
Debt Service	16,623		16,623
Student Activities	164,690		164,690
Scholarships	127,164		127,164
Unrestricted	3,452,170	22,303	3,474,473
<b>Total Net Assets</b>	<b>\$ 11,326,544</b>	<b>\$ 33,329</b>	<b>\$ 11,359,873</b>

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues	Program Revenues	
		Charges for Services	Operating Grants Contributions	Capital Grants Contributions
<b>Primary Government:</b>				
Governmental Activities:				
Instruction:				
Regular Instruction	\$ 8,594,527	\$ 230,711	\$ 395,317	
Special Instruction	1,864,986	140,002	292,962	
Other Instruction	364,880	34,807	56,750	
Support Services:				
Student Services	1,186,511	756,503		
Instructional Staff Services	843,276			
Administration Services	1,518,964			
Operation and Maintenance	1,152,199	11,210		
Transportation Services	756,490	3,426	88,756	
Non-instructional Programs	143,645	13,449	9,456	
Other Expenditures:				
Facilities Acquisition and Construction Services	93,903			
Long-term Debt Interest	29,253			
AEA Flowthrough	685,660		685,660	
Total governmental activities	<u>17,234,294</u>	<u>1,190,108</u>	<u>1,528,901</u>	<u>-</u>
<b>Business Type Activities:</b>				
Non-instructional Programs:				
Food Service Operations	<u>686,516</u>	<u>309,458</u>	<u>281,930</u>	<u>-</u>
Total	<u>\$17,920,810</u>	<u>\$ 1,499,566</u>	<u>\$ 1,810,831</u>	<u>\$ -</u>
General Revenues:				
Property Tax Levied For:				
General Purposes				
Capital Outlay				
Local Option Sales Tax				
Unrestricted State Grants				
Unrestricted Investment Earnings				
Loss on disposal of Assets				
Contributions				
Miscellaneous				
Foster Care				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (7,968,499)		\$ (7,968,499)
(1,432,022)		(1,432,022)
(273,323)		(273,323)
(430,008)		(430,008)
(843,276)		(843,276)
(1,518,964)		(1,518,964)
(1,140,989)		(1,140,989)
(664,308)		(664,308)
(120,740)		(120,740)
(93,903)		(93,903)
(29,253)		(29,253)
-		-
<u>(14,515,285)</u>		<u>(14,515,285)</u>
	\$ (95,128)	(95,128)
<u>(14,515,285)</u>	<u>(95,128)</u>	<u>(14,610,413)</u>
4,806,228	-	4,806,228
438,059	-	438,059
1,359,852	-	1,359,852
8,484,101	-	8,484,101
154,016	283	154,299
(3,127)	-	(3,127)
58,163	3,397	61,560
37,945	4,056	42,001
56,958	-	56,958
(81,051)	81,051	-
<u>15,311,144</u>	<u>88,787</u>	<u>15,399,931</u>
795,859	(6,341)	789,518
<u>10,530,685</u>	<u>39,670</u>	<u>10,570,355</u>
<u>\$ 11,326,544</u>	<u>\$ 33,329</u>	<u>\$ 11,359,873</u>

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**BALANCE SHEET**  
**Governmental Funds**  
**June 30, 2006**

	General	Management Levy
<b>Assets</b>		
Cash and Pooled Investments	\$ 3,712,028	\$ 10,178
Investment		
Receivables:		
Property Tax	60,542	4,051
Succeeding Year Property Tax	4,783,045	310,000
Accrued Interest	39,225	
Accounts	3,329	
Due from Other Funds	1,537	
Due from Other Governments	158,916	
Total Assets	<u>8,758,622</u>	<u>324,229</u>
<b>Liabilities and Equity</b>		
Liabilities:		
Accounts Payable	97,291	
Salaries and Benefits Payable	1,201,267	
Accrued Vacation Payable	416,018	
Due to Other Funds		
Deferred Revenue:		
Succeeding Year Property Tax	4,783,045	310,000
Other	5,349	347
Total Liabilities	<u>6,502,970</u>	<u>310,347</u>
Fund Balances:		
Reserved for Scholarships		
Reserved for Debt Service		
Unreserved for:		
General Fund	2,255,652	
Special Revenue Fund		13,882
Capital Project Fund		
Total Fund Balances	<u>2,255,652</u>	<u>13,882</u>
Total Liabilities and Equity	<u>\$ 8,758,622</u>	<u>\$ 324,229</u>

See Accompanying Notes to Financial Statements

PPEL Fund	Capital Project LOST	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 21,765	\$ 1,326,990	\$ 16,623	\$ 255,397 39,057	\$ 5,342,981 39,057
5,409				70,002
483,817				5,576,862
				39,225
12,055				15,384
				1,537
	211,792			370,708
523,046	1,538,782	16,623	294,454	11,455,756
	278,264			375,555
				1,201,267
				416,018
			2,600	2,600
483,817				5,576,862
429				6,125
484,246	278,264	-	2,600	7,578,427
			127,164	127,164
		16,623		16,623
				2,255,652
38,800			164,690	217,372
	1,260,518			1,260,518
38,800	1,260,518	16,623	291,854	3,877,329
\$ 523,046	\$ 1,538,782	\$ 16,623	\$ 294,454	

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Infrastructure, property, and equipment used in governmental activities are not financial resources  
and, therefore, are not reported in the funds

7,803,215

Accrued Interest on long term debt not reported on the modified accrual basis  
of accounting

(1,124)

Deferred revenues and accrued expenses from the balance sheet that provide current financial  
resources for governmental activities

6,125

Long-term liabilities are not due and payable in the current period and therefore are not reported  
in the funds

(359,001)

Net Assets of Governmental Activities

\$ 11,326,544

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Funds**  
**For the Year Ended June 30, 2006**

	General	Management Fund
Revenue:		
Local Sources:		
Local Tax	\$ 4,503,884	\$ 302,315
Tuition	370,821	
Other	182,918	13,449
Intermediate Sources	34,263	
State Sources	9,570,986	
Federal Sources	485,875	
Total Revenue	<u>15,148,747</u>	<u>315,764</u>
Expenditures:		
Governmental Activities:		
Instruction:		
Regular Instruction	8,321,990	
Special Instruction	1,806,407	
Other Instruction	360,416	
Support Services:		
Student Services	556,572	
Instructional Staff Services	843,276	
Administration Services	1,410,077	95,801
Operation and Maintenance	1,053,610	81,478
Transportation Services	624,329	27,045
Non-instructional Programs		118,967
Other Expenditures:		
Facilities Acquisition and Construction		
Long-term Debt:		
Principal		
Interest and Fiscal Charges		
AEA Flowthrough	685,660	
Total Expenditures	<u>15,662,337</u>	<u>323,291</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(513,590)</u>	<u>(7,527)</u>
Other Financing Sources (Uses):		
Transfers In	85,383	
Transfers Out		
Total Other Financing Sources (Uses)	<u>85,383</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(428,207)</u>	<u>(7,527)</u>
Fund Balances (Deficit) - Beginning of Year	2,683,859	21,409
Fund Balances - End of Year	<u>\$ 2,255,652</u>	<u>\$ 13,882</u>

See Accompanying Notes to Financial Statements

PPEL Fund	Capital Project LOST	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 438,059	\$ 1,359,852			\$ 6,604,110
				370,821
9,175	24,557	203	817,945	1,048,247
				34,263
				9,570,986
				485,875
447,234	1,384,409	203	817,945	18,114,302
				8,321,990
				1,806,407
				360,416
			629,939	1,186,511
				843,276
				1,505,878
	7,700			1,142,788
				651,374
	24,678			143,645
97,783	875,000			972,783
		400,000		400,000
		30,686		30,686
				685,660
97,783	907,378	430,686	629,939	18,051,414
349,451	477,031	(430,483)	188,006	62,888
		430,686		516,069
(430,686)			(166,434)	(597,120)
(430,686)	-	430,686	(166,434)	(81,051)
(81,235)	477,031	203	21,572	(18,163)
120,035	783,487	16,420	270,282	3,895,492
\$ 38,800	\$ 1,260,518	\$ 16,623	\$ 291,854	\$ 3,877,329

See Accompanying Notes to Financial Statements

**LEMARS COMMUNITY SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2006**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 21)	\$ (18,163)
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 989,004	
Depreciation expense	<u>(550,583)</u>	438,421

Governmental funds report only the proceeds from the sale of capital assets as revenue whereas the statement of activities reports the gain or loss on the sale or disposal of fixed assets. This is the effect on the change in net assets on the statement of activities.	(3,127)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues.	29
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Accrued compensated absences not reported on the modified accrual basis.	(22,734)
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Accrued interest expense not reported on the modified accrual basis.	1,433
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The repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. The principal paid on long-term debt during the current year was as follows:	<u>400,000</u>
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Change in net assets of governmental activities (page 17)	<u><u>\$ 795,859</u></u>
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**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Fund**  
**For the Year Ended June 30, 2006**

	<b>School Nutrition Fund</b>
Operating Revenues:	
Charges for services	\$ 309,458
Miscellaneous	4,056
	<hr/>
Total Operating Revenue	313,514
	<hr/>
Operating Expenditures:	
Food Service Operations:	
Salaries	226,952
Benefits	67,004
Food	351,203
Delivery	22,409
Supplies	15,663
Telephone	415
Other	1,513
Depreciation	1,357
	<hr/>
Total Operating Expenses	686,516
	<hr/>
Operating Loss	(373,002)
	<hr/>
Non-Operating Revenues :	
Interest Income	283
State Lunch Reimbursements	10,903
National School Lunch Program	224,858
Federal Food Commodities Received	46,169
	<hr/>
Total Non-Operating Revenues	282,213
	<hr/>
Loss Before Contributions and Transfers	(90,789)
	<hr/>
Other Financing Sources:	
Transfers from other Funds	81,051
Capital Contributions	3,397
	<hr/>
Total Other Financing Sources	84,448
	<hr/>
Change in net assets	(6,341)
	<hr/>
Net Assets-beginning	39,670
	<hr/>
Net Assets-ending	\$ 33,329
	<hr/>

See Accompanying Notes to Financial Statements

**LEMARS COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**Business Type Activity**  
**For the Year Ended June 30, 2006**

	<b>School Nutrition Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from sale of lunches and breakfasts	\$ 310,043
Cash received from miscellaneous operating activities	4,056
Cash payments for salaries and benefits	(293,956)
Cash payments for goods and services	(346,948)
<b>Total cash (used) by operating activities</b>	<u>(326,805)</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets	(1,540)
<b>Total cash (used) by capital and related financing activities:</b>	<u>(1,540)</u>
<b>Cash flows from noncapital financing activities:</b>	
Due to other Funds	(1,063)
Federal and state appropriations received	235,761
Transfers from other funds	81,051
<b>Total cash provided by noncapital financing activities</b>	<u>315,749</u>
<b>Cash flows from investing activities:</b>	
Interest on investments	283
<b>Net (decrease) in cash and cash equivalents</b>	(12,313)
Cash and cash equivalents - beginning of year	32,430
Cash and cash equivalents - end of year	<u>\$ 20,117</u>
<b>Reconciliation of operating (loss) to net cash used in operating activities:</b>	
Operating (loss)	(373,002)
Adjustments to reconcile net operating loss to net cash provided by operating activities:	
Depreciation Expense	1,357
Commodities Used	46,169
(Increase) decrease in assets and increase (decrease) in liabilities:	
Inventory	(767)
Contracts Payable	(963)
Accounts Payable	(55)
Salaries and Benefits Payable	(129)
Unearned Revenue	585
<b>Net cash (used) in operating activities</b>	<u>\$ (326,805)</u>
<b>Supplemental schedule of noncash noncapital financing activities:</b>	
Federal food commodities received	\$ 46,169
Capital Contributions	<u>\$ 3,397</u>

See Accompanying Notes to Financial Statements

**LEMARS COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**Fiduciary Funds**  
**June 30, 2006**

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	<u>2006</u>
Cash and Temporary Cash Investments	\$ 5,831
Total Net Assets	<u>5,831</u>
Liabilities:	
Other Payables	<u>5,831</u>
Unrestricted Net Assets	<u>-</u>
Net Assets	<u><u>\$ -</u></u>

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2006**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Le Mars Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Le Mars, Merrill and Brunsville and a large part of the agricultural community in Plymouth County and is financially dependent on property taxes of the area and state aid payments for over 80% of its receipts. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

**A. Reporting Entity**

For financial reporting purposes, Le Mars Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District.

In January 1992 the District established the Le Mars Community School District Foundation by appointing a board of trustees to incorporate a foundation under the Iowa Non-Profit Corporation Act, Iowa Code Chapter 504A. The focus of the Foundation is exclusively for charitable, scientific, and educational purposes of the District. The financial activity of the Foundation is included in the financial statements of the Le Mars Community School District as a component unit for the year ended June 30, 2006. The Foundation has elected a December 31 fiscal year end and, therefore, the activity of the Foundation included in these financial statements is for the fiscal year ended December 31, 2005.

These financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) that apply to governmental units. All funds created under the authority of the State Code of Iowa, the operations of which are under the control of the District's governing body, and by financial reporting standards for governmental units are included herewith.

The Governmental Accounting Standards Board is responsible for establishing U.S. GAAP for state and local government through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The District applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations. The more significant accounting policies established in U.S. GAAP and used by the District are discussed below.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Plymouth County Assessor's Conference Board.

**B. Basic Financial Statements- Government-Wide Statements**

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2006**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

type. The District's general, special revenue, capital project, and debt service funds are classified as governmental activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts- invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The District first uses restricted resources to finance qualifying activities.

The Government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenues, operating grants, and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

**C. Fund Accounting**

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three types: governmental, proprietary and fiduciary. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The various funds reported in the financial statements are grouped into fund types as follows:

**GOVERNMENTAL FUND TYPES**

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities, except those accounted for in proprietary funds, are accounted for through governmental funds. The measurement focus is on determination of financial position and changes in financial position, rather than upon net income determination. The following is a description of the governmental funds of the District.

General Fund – The General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2006**

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Special Revenue Fund – Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specified purposes. Each of the District's Special Revenue Funds has been established to reflect restricted revenue sources provided to school districts by the Iowa State Statutes.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for and the payment of general long-term debt principal and interest.

Capital Projects Fund – The Capital Projects Fund accounts for all resources used in the acquisition and construction of capital facilities.

**PROPRIETARY FUND TYPES**

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

Enterprise Fund – The Enterprise Fund is used to account for operations: (a) which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**FIDUCIARY FUND TYPE**

Fiduciary Funds are used to account for assets held by the District in an agency or custodial capacity for others and therefore are not available to support District functions. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements. The following is the District's fiduciary fund:

Agency Fund - The Flex account is the District's cafeteria plan. Employees of the District deposit monies into this fund, which are held by the District until they are disbursed back to the depositor.

The District reports the following major governmental funds:

General Fund – See the description on the previous page. The general fund is always considered to be a major fund.

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2006**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Special Revenue Funds:

Management Fund – Accounts for a property tax levy per thousand dollars of assessed valuation in the District for insurance premiums and unemployment compensation insurance claims.

Physical Plant and Equipment Levy – Accounts for a regular property tax levy and a special voted property tax levy per thousand dollars of assessed valuation in the District for use in the purchase of equipment and repairing and improving schoolhouse buildings and grounds.

Debt Service Fund – See description on the previous page.

The District reports the following major proprietary fund:

School Nutrition – Accounts for the food service operations of the District.

**D. Basis of Accounting/Measurement Focus**

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2006**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Assets, Liabilities, and Fund Equity**

**Cash, Pooled Investments and Cash Equivalents** – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2006 included certificates of deposit of \$2,500,000 with original maturity dates longer than three months.

**Due from Other Governments** – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

**Property Tax Receivable** – Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Education is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

**Inventories** – Inventory items are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

**Capital Assets** – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$1,000 for governmental capital assets and \$500 for school nutrition capital assets.



**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2006**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital Assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings and Structures	20 – 50
Machinery and Equipment	5 - 20

**Salaries and Benefits Payable** – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

**Deferred Revenue** – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end, excluding grant receivables.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

**Long-Term Liabilities** – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

**Compensated Absences** – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

**Fund Equity** – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**Restricted Net Assets** – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**Budgets and Budgetary Accounting** - The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2006**

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**NOTE 2 – CASH AND POOLED INVESTMENTS**

The District's deposits at June 30, 2006 were entirely covered by federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts; and warrants or improvement certificates of a drainage district. There were no differences in investments held during the year from those at June 30, 2006.

At June 30, 2006 the District had the following investments:

	<b>Credit Risk</b>	<b>Fair Value</b>
Mutual Fund – Rydex Investments	Not Rated	<u>\$ 33,156</u>
	<b>Credit Risk</b>	<b>Policy Cash Value</b>
New York Life Insurance Policy	Not Rated	<u>\$ 5,901</u>

**NOTE 3 – AREA EDUCATION AGENCY**

The District is required by the Code of Iowa to budget for its share of the media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$685,660 for the year ended June 30, 2006, and is recorded in the General Fund.

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2006**

**NOTE 4 – CAPITAL ASSETS**

Capital Assets activity for the year ended June 30, 2006 was as follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 393,275			\$ 393,275
Construction in Progress	-	\$ 290,985		290,985
Total capital assets not being depreciated	393,275	290,985		684,260
Capital assets being depreciated:				
Buildings	10,783,705	355,235	4,840	11,134,100
Improvements other than buildings	1,291,132	202,270	83,724	1,409,678
Furniture and equipment	2,672,674	140,514	27,387	2,785,801
Total capital assets being depreciated	14,747,511	698,019	115,951	15,329,579
Less Accumulated Depreciation for:				
Buildings	4,803,297	214,537	4,840	5,012,994
Improvements other than buildings	1,022,358	104,879	83,724	1,043,513
Furniture and equipment	1,947,210	231,167	24,260	2,154,117
Total Accumulated Depreciation	7,772,865	550,583	112,824	8,210,624
Total capital assets being depreciated, net	6,974,646	147,436	3,127	7,118,955
Governmental activities capital assets, net	\$ 7,367,921	\$ 438,421	\$ 3,127	7,803,215

Depreciation Expense was charged to governmental activities as follows:

Governmental Activities	
Regular Instruction	\$ 355,218
Other Instruction	60,579
Instructional Staff Services	29,907
Administration Services	104,879
Total Depreciation Expenses – Governmental Activities	<u>\$550,583</u>

Business-type activities:	
Food Service Operations	<u>\$ 1,357</u>

A summary of the School Nutrition enterprise fund property, plant, and equipment at June 30, 2005 is as follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<b>Business-type Activities</b>				
Furniture and Equipment	\$ 42,348	\$ 4,937	-	\$ 47,285
Less: Accumulated Depreciation	34,902	1,357	-	36,259
Business-Type Activities Capital Assets, Net	\$ 7,446	\$ 3,580	-	\$ 11,026

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2006**

**NOTE 5 – RETIREMENT SYSTEM**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$614,074, \$580,464 and \$561,655 respectively, equal to the required contributions for each year.

**NOTE 6 – OTHER POST EMPLOYMENT BENEFITS**

Certified employees retiring with at least 10 years of service and age 55 are provided single coverage health insurance until they reach the age of 65. The benefits are funded on a pay as you go basis. The district paid \$110,731 in benefits during the year ended June 30, 2006. There are currently 21 participants receiving benefits.

**Note 7 – LONG-TERM LIABILITIES**

Changes in long-term liabilities for the year ended June 30, 2006 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 690,000	-	\$ 400,000	\$ 290,000	\$ 290,000
Compensated Absences	46,267	\$ 69,001	46,267	69,001	69,001
Total	\$ 736,267	\$ 69,001	\$ 446,267	\$ 359,001	\$ 359,001

Details of the above bonds payable at June 30, 2006 are as follows:

	Date of Issue	Interest Rate	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2006
Go Capital Loan Note	2001	4.3-4.65%	6-1-07	\$290,000-400,000	\$1,750,000	\$ 290,000

The annual requirements to amortize all debt outstanding as of June 30, 2006 are as follows:

Fiscal Year	Principal	Interest
2007	\$ 290,000	\$ 13,486
	\$ 290,000	\$ 13,486

\$16,623 is available in the Debt Service Fund to service the General Obligation Bonds.

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2006**

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**NOTE 8 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 9 – CONSTRUCTION COMMITMENTS**

The District has entered into various construction contracts totaling \$351,144 for the middle school roof replacement phase II, high school bathroom renovation, and acoustical renovation phase I. At June 30, 2006 no work had been performed on the acoustical renovation phase 1.

**NOTE 10 – INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Debt Service	PPEL	\$ 430,686
School Nutrition Fund	Student Activity	81,051
General	Student Activity	85,383
Total		<u>\$ 597,120</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Le Mars Community School District**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance, Budget**  
**and Actual, all Governmental Funds and Proprietary Fund - Cash Basis**  
**For The Year Ended June 30, 2006**

	<b>Budgeted Amounts</b>		<b>Governmental</b>	<b>Proprietary</b>		<b>Final to</b>
	<b>Original</b>	<b>Amended</b>	<b>Funds</b>	<b>Fund</b>	<b>Total</b>	<b>Actual</b>
			<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUE:</b>						
Local Sources:						
Local Tax	\$ 5,238,784	\$ 4,498,995	\$ 6,741,330	\$ -	\$6,741,330	\$2,242,335
Tuition	364,000	364,000	371,021	-	371,021	7,021
Other	2,142,000	1,239,000	963,139	362,884	1,326,023	87,023
Intermediate Sources	-	-	34,263	-	34,263	34,263
State Sources	9,626,217	9,615,217	9,632,216	10,903	9,643,119	27,902
Federal Sources	590,000	396,000	422,341	224,858	647,199	251,199
<b>Total Revenue</b>	<b>17,961,001</b>	<b>16,113,212</b>	<b>18,164,310</b>	<b>598,645</b>	<b>18,762,955</b>	<b>2,649,743</b>
<b>EXPENDITURES:</b>						
Current:						
Instruction	11,237,324	11,237,324	10,994,956	-	10,994,956	242,368
Support Services	4,402,386	4,556,920	4,565,048	-	4,565,048	(8,128)
Non-instructional Programs	769,760	797,760	143,645	687,663	831,308	(33,548)
Other Expenditures	2,234,519	2,234,519	1,920,103	-	1,920,103	314,416
<b>Total Expenditures</b>	<b>18,643,989</b>	<b>18,826,523</b>	<b>17,623,752</b>	<b>687,663</b>	<b>18,311,415</b>	<b>515,108</b>
Excess (Deficiency) of Revenues Over Expenditures	(682,988)	(2,713,311)	540,558	(89,018)	451,540	3,164,851
Other Financing Sources (Uses):						
Transfers In	443,512	443,512	516,069	81,051	597,120	153,608
Transfers Out	(443,512)	(443,512)	(597,120)	-	(597,120)	(153,608)
Issuance of Long-Term Debt	-	-	-	-	-	-
Sale of Capital Assets	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	(81,051)	81,051	-	-
<b>Net Change in Fund Balances</b>	<b>(682,988)</b>	<b>(2,713,311)</b>	<b>459,507</b>	<b>(7,967)</b>	<b>451,540</b>	<b>3,164,851</b>
Fund Balances - Beginning of Year	4,856,759	4,856,759	4,804,820	51,939	4,856,759	-
Fund Balances - End of Year	\$ 4,173,771	\$ 2,143,448	\$ 5,264,327	\$ 43,972	\$5,308,299	\$ 3,164,851

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**June 30, 2006**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except the internal service fund and the agency fund. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional area level, not at the fund or fund type level. This level of control is at a level higher than the individual fund. It is necessary, therefore, to aggregate the expenditures of governmental fund types with expenses of proprietary fund types on a functional area basis and to compare such functional area totals to functional area budgeted totals in order to demonstrate legal compliance with budget. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2006, the District adopted one budget amendment increasing budgeted disbursements by \$182,534.

As noted previously, the actual results of operations are presented in accordance with generally accepted accounting principles, which differ in certain respects from those practices used in the preparation of the 2005-2006 budget. For purposes of preparing the budget comparison above, the actual expenses have been adjusted to the cash basis, which is consistent with the District's budgeted expenditures/expenses. The adjustments required to convert the expenses/expenditures to cash basis at the end of the year are as follows:

**Governmental Funds**

	<b>Cash Basis</b>	<b>Accrual Adjustments</b>	<b>Modified Accrual Basis</b>
Revenues	\$ 18,164,310	\$ (50,008)	\$ 18,114,302
Expenditures	17,623,752	427,662	18,051,414
Net	540,558	(377,654)	62,888
Other Financing Sources	(83,583)	-	(83,583)
Beginning Fund Balance	4,804,820	(909,328)	3,895,492
Ending Fund Balance	<u>\$ 5,261,795</u>	<u>\$ (1,286,982)</u>	<u>\$ 3,874,797</u>

**Proprietary Fund**

**School Nutrition**

	<b>Cash Basis</b>	<b>Accrual Adjustments</b>	<b>Accrual Basis</b>
Revenues	\$ 679,696	\$ 479	\$ 680,175
Expenditures	687,663	(1,147)	686,516
Net	(7,967)	1,626	(6,341)
Other Financing Sources	81,050	-	81,050
Beginning Fund Balance	51,939	(12,269)	39,670
Ending Fund Balance	<u>\$ 125,022</u>	<u>(10,643)</u>	<u>\$ 114,379</u>



## **SUPPLEMENTARY INFORMATION**

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**For the Year Ended June 30, 2006**

Schedule 1

**Revenues:**

**Local Sources:**

**Local Tax:**

Property Tax	\$ 4,489,353
Mobile Home Tax	14,511
	<u>4,503,864</u>

**Other Local Sources:**

Interest on Investments	120,084
Tuition from Other Districts	319,083
Tuition from Individuals	51,738
Transportation Fees	3,426
Rent	11,210
Miscellaneous	48,218
	<u>553,759</u>
	<u>5,057,623</u>

**Intermediate Sources:**

Medicaid	<u>34,263</u>
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**State Sources:**

State Foundation Aid	8,136,162
Teacher Compensation	212,346
Educational Excellence Program:	
Phase I	23,054
Phase II	183,152
Non-Public Transportation Aid	88,756
Vocational Education Aid	34,809
Iowa Early Intervention Block Grant	121,514
Foster Care	56,958
AEA Flow-Through	685,660
Other State Aid	28,575
	<u>9,570,986</u>

**Federal Sources:**

Title I Grants to Local Educational Agencies	162,945
Improving Teacher Quality State Grants	138,353
Safe and Drug-Free Schools and Communities-States Grants	9,456
State Grants for Innovative Programs	6,279
Vocational Education - Basic Grants to States	21,941
Special Education - Grants to States	130,017
Improvement of Education Grants	3,486
Title VI Grants for Assessments and Related Activities	13,398
	<u>485,875</u>

Total Revenue		<u>\$ 15,148,747</u>
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Continued

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund - Continued**  
**Year Ended June 30, 2006**

Schedule 1 (Continued)

**Expenditures:**

**Instruction:**

Regular Instruction:

Salaries	\$ 5,817,777
Benefits	1,882,706
Services	392,769
Supplies	198,359
Property	30,379
	<u>8,321,990</u>

Special Education Instruction:

Salaries	1,226,402
Benefits	375,069
Services	149,412
Supplies	30,923
Property	24,601
	<u>1,806,407</u>

Vocational Instruction:

Supplies	15,952
Property	698
	<u>16,650</u>

Co-curricular Instruction:

Salaries	268,559
Benefits	58,804
Services	4,382
Supplies	1,414
	<u>333,159</u>

Nonpublic Instruction:

Supplies	6,908
	<u>6,908</u>

Adult Continuing Education

Salaries	2,027
Benefits	150
Supplies	1,522
	<u>3,699</u>

**Total Instruction**

10,488,813

**Support Services:**

**Student Services:**

Guidance Services:

Salaries	346,343
Benefits	103,319
Services	6,791
Supplies	15,466
	<u>\$ 471,919</u>

Continued

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund - Continued**  
**Year Ended June 30, 2006**

Schedule 1 (Continued)

**Support Services (Continued):**

**Student Services (Continued):**

Health Services:

Salaries	\$ 51,722
Benefits	24,459
Services	3,548
Supplies	4,757
Property	167
	<u>84,653</u>

**Total Student Services**

556,572

**Support Services:**

**Instructional Staff Services:**

Improvement of Instruction Services:

Salaries	262,203
Benefits	50,184
Services	8,384
Supplies	3,306
Property	396
	<u>324,473</u>

Educational Media Services:

Salaries	165,037
Benefits	39,369
Supplies	25,813
	<u>230,219</u>

Other Instructional Staff Support Services:

Salaries	100,579
Benefits	30,287
Services	35,798
Supplies	115,914
Property	6,006
	<u>288,584</u>

**Total Instructional Staff Services**

843,276

**Support Services:**

**Administration Services:**

Executive Administration:

Salaries	291,454
Benefits	113,166
Services	26,713
Supplies	8,716
Property	891
	<u>\$ 440,940</u>

Continued

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund - Continued**  
**Year Ended June 30, 2006**

Schedule 1 (Continued)

**Support Services (Continued):**

**Administration Services (Continued):**

School Administration:

Salaries	\$ 628,339
Benefits	237,666
Services	5,026
Supplies	1,139
Property	49
	<u>872,219</u>

Business Administration:

Salaries	24,977
Benefits	11,619
Services	10,170
Supplies	1,029
	<u>47,795</u>

Board of Education:

Services	36,834
Supplies	12,289
	<u>49,123</u>

<b>Total Administration Services:</b>	<u>1,410,077</u>
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**Support Services:**

**Plant Operation and Maintenance:**

Salaries	489,332
Benefits	163,212
Services	39,213
Supplies	358,604
Property	3,249
	<u>1,053,610</u>

**Support Services:**

**Student Transportation:**

Salaries	370,107
Benefits	75,293
Services	38,716
Supplies	140,213
	<u>624,329</u>

<b>Total Support Services</b>	<u>\$ 4,487,864</u>
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Continued

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund - Continued**  
**Year Ended June 30, 2006**

Schedule 1 (Continued)

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**Other Expenditures:**

AEA Flow-Through	\$ 685,660
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Total Expenditures	<u>15,662,337</u>
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(Deficiency) of Revenues Over Expenditures	<u>(513,590)</u>
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**Other Financing Uses:**

Transfers From Other Funds	<u>85,383</u>
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(Deficiency) of Revenues Over Expenditures and Other Financing Uses	(428,207)
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Fund Balance - Beginning of Year	<u>2,683,859</u>
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Fund Balance - End of Year	<u><u>\$ 2,255,652</u></u>
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**LEMARS COMMUNITY SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**Governmental Nonmajor Funds**  
**June 30, 2006**

**Schedule 2**

	<u>Special Revenue</u>		
	<b>Activity Fund</b>	<b>LCSD Foundation</b>	<b>Total</b>
<b>Assets</b>			
Cash and Pooled Investments	\$ 167,290	\$ 88,107	\$ 255,397
Investments	-	39,057	39,057
	<u>167,290</u>	<u>127,164</u>	<u>294,454</u>
<b>Total Assets</b>			
<b>Liabilities and Equity</b>			
<b>Liabilities:</b>			
Due to Other Funds	<u>2,600</u>		<u>2,600</u>
<b>Total Liabilities</b>	<u>2,600</u>	<u>-</u>	<u>2,600</u>
<b>Fund Balances:</b>			
Reserved for Scholarships	-	127,164	127,164
Unreserved for:			
Special Revenue Fund	<u>164,690</u>	<u>-</u>	<u>164,690</u>
<b>Total Fund Balances</b>	<u>164,690</u>	<u>127,164</u>	<u>291,854</u>
<b>Total Liabilities and Equity</b>	<u>\$ 167,290</u>	<u>\$ 127,164</u>	<u>\$ 294,454</u>

**LEMARS COMMUNITY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**Governmental Nonmajor Funds**  
**For the Year Ended June 30, 2006**

Schedule 3

	<u>Special Revenue</u>		
	<u>Activity</u>	<u>LCSD</u>	
	<u>Fund</u>	<u>Foundation</u>	<u>Total</u>
Revenue:			
Local Sources:			
Other	\$ 755,336	\$ 62,609	\$ 817,945
Total Revenue	755,336	62,609	817,945
Expenditures:			
Support Services:			
Student Services	593,126	36,813	629,939
Total Expenditures	593,126	36,813	629,939
Excess (Deficiency) of Revenues over Expenditures	162,210	25,796	188,006
Other Financing Sources (Uses):			
Transfers Out	(166,434)	-	(166,434)
Total Other Financing Sources (Uses)	(166,434)	-	(166,434)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(4,224)	25,796	21,572
Fund Balances - Beginning of Year	168,914	101,368	270,282
Fund Balances - End of Year	\$ 164,690	\$ 127,164	\$ 291,854



**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Schedule of Individual Student Activity Account Activity**  
**For the Year Ended June 30, 2006**

	Schedule 4			
	Balance June 30, 2005	Revenues	Expenditures	Transfers
				Balance June 30, 2006
<b>Senior High</b>				
Bark	\$ 10,345	\$ 14,030	\$ 12,302	\$ 12,073
F.F.A.	6,196	23,016	25,606	3,606
Miscellaneous Music	4,319	6,106	5,258	5,167
F.C.A.	43	1,475	1,520	(2)
Debate	(183)	-	-	183
Library	2,283	1,045	879	2,449
Vocal Music	11,326	58,206	65,050	4,482
Instrumental Music	2,348	6,422	5,441	3,329
Music Orchestra	(158)	10,188	9,564	466
National Honor Society	-	780	780	-
Dance Team	8,180	3,495	4,083	7,592
Student Council	14,124	65,468	67,735	11,857
Thespians	202	250	374	78
German Club	2,316	-	-	2,316
Spanish Club	5,532	3,287	3,922	4,897
Dramatics	1,712	2,395	1,374	2,733
Trades and Industries	11,145	8,649	10,503	9,291
Miscellaneous Athletics	4,597	143,913	149,502	(992)
Clearing	2,014	67,294	40,716	\$ (26,786)
Cheerleaders	919	7,433	7,411	941
Senior Class	1,533	52,573	52,487	1,619
Junior Class	-	7,629	7,629	-
Sophomore Class	-	61	61	-
Freshman Class	-	80	80	-
Miscellaneous	7,684	3,504	534	10,654
Technology Club	81	3,768	3,443	(183)
Home Economics Club	752	-	-	752
Math Club	864	148	-	1,012
Science Club	43	3,527	3,520	50
Make-A-Wish Club	1,846	3,387	1,000	4,233
	\$ 100,063	\$ 498,129	\$ 480,774	\$ (26,786) \$ 90,632

(Continued)

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Schedule of Individual Student Activity Account Activity**  
**For the Year Ended June 30, 2006**

**Schedule 4 (Continued)**

	Balance June 30, 2005	Revenues	Expenditures	Transfers	Balance June 30, 2006
<b>Middle School</b>					
Book Rent	-	\$ 15,663		\$ (15,642)	21
Miscellaneous	\$ 11,632	13,256	\$ 7,383		\$ 17,505
Student Council	13,714	10,567	8,582		15,699
Insurance	-	225	225		-
Library	1,388	5,319	5,086		1,621
Clearing	602	8,379	7,898		1,083
High School Principal	-	6,340	6,340		-
Band	823	6,937	5,819		1,941
Industrial Arts	-	3,602	-	(3,602)	-
Instrument Rental	1,381	640	40		1,981
Other	2,064	5,542	8,350		(744)
Bus	-	2,150	-	(2,150)	-
Art	3,474	1,029	659		3,844
	35,078	79,649	50,382	(21,394)	42,951
<b>Merrill Elementary School</b>	388	21,152	-	(21,152)	388
<b>Central Elementary School</b>	33,385	156,406	61,970	(97,102)	30,719
<b>Total for Activity Funds</b>	\$ 168,914	\$ 755,336	\$ 593,126	\$ (166,434)	\$ 164,690

**LEMARS COMMUNITY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF CHANGES IN NET ASSETS AND LIABILITIES -**  
**Agency Fund**  
**For the Year Ended June 30, 2006**

				Schedule 5
	Balance			Balance
	July 1, 2005	Additions	Deductions	June 30, 2006
<b><u>FLEX</u></b>				
<u>Assets</u>				
Cash and Pooled Investments	\$ 5,929	\$ 118,979	\$ 119,077	\$ 5,831
Total Assets	5,929	118,979	119,077	5,831
<u>Liabilities</u>				
Other Payables	5,929	118,979	119,077	5,831
Total Liabilities	\$ 5,929	\$ 118,979	\$ 119,077	\$ 5,831

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Comparison of Taxes and Intergovernmental Revenues and Receipts**  
**For the Years Ended June 30, 2006, 2005, 2004, 2003**

Schedule 6

	Modified Accrual Basis of Accounting			
	2006	2005	2004	2003
Local Sources:				
Property Taxes	\$ 5,228,308	\$ 5,501,658	\$ 5,859,355	\$ 5,584,536
Mobile Home Taxes	15,950	18,317	18,680	20,158
Local Option Sales and Services Tax	1,359,852	1,108,182	-	-
	<u>6,604,110</u>	<u>6,628,157</u>	<u>5,878,035</u>	<u>5,604,694</u>
State Sources:				
State Foundation Aid	8,136,162	7,811,912	7,244,306	7,112,992
School Improvement and Technology	-	-	-	9,330
Teacher Compensation	212,346	180,700	161,937	137,430
State Lunch Reimbursement	10,903	11,061	10,877	10,811
Educational Excellence Program:				
Phase I	23,054	23,054	22,883	23,094
Phase II	183,152	183,306	182,275	184,118
Phase III	-	-	-	45,955
Non-Public Transportation Aid	88,756	85,727	76,719	82,917
Vocational Education Aid	34,809	43,301	12,939	14,357
Iowa Early Intervention Block Grant	121,514	125,288	124,338	122,376
Foster Care	56,958			
AEA Flow-Through	685,660	662,771	657,856	688,078
Other State Aid	28,575	40,375	47,962	43,833
	<u>9,581,889</u>	<u>9,167,495</u>	<u>8,542,092</u>	<u>8,475,291</u>
Federal Sources:				
Title I	162,945	174,427	177,042	177,374
Safe and Drug Free Schools and Communities	9,456	9,790	9,959	11,937
State Grants for Innovative Programs	6,279	9,839	13,513	13,549
Special Education - Grants to States	130,017	123,883	95,675	63,013
Improving Teacher Quality State Grants	138,353	70,738	71,135	-
Vocational Education - Basic Grants to States	21,941	23,804	24,776	-
Improvement of Education Grants	3,486	21,514	-	-
National School Lunch Fund	224,858	205,393	190,225	182,703
Food Distribution	46,169	43,646	32,504	27,473
Other Federal Aid	13,398	13,644	13,458	108,713
	<u>756,902</u>	<u>696,678</u>	<u>628,287</u>	<u>584,762</u>
Total	<u>\$ 16,942,901</u>	<u>\$ 16,492,330</u>	<u>\$ 15,048,414</u>	<u>\$ 14,664,747</u>

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2006**

**Schedule 7**

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Distribution (non-cash)	10.550	FY06	\$ 46,169
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY06	44,733
National School Lunch Program	10.555	FY06	185,951
			<u>230,684 *</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY06	162,945 *
Vocational Education - Basic Grants to States	84.048	FY06	21,941
Safe and Drug-Free Schools and Communities -			
State Grants	84.186	FY06	9,456
State Grants for Innovative Programs	84.298	FY06	6,279
Improving Teacher Quality State Grants	84.367	FY06	67,799
Grants for State Assessments &			
Related Activities	84.369	FY06	13,398
Western Hills Area Education Agency			
Special Education - Grants to States	84.027	FY06	130,017
Iowa Public Television:			
Fund for the Improvement of Education	84.215	FY06	<u>3,486</u>
Total			<u><u>\$ 692,174</u></u>

\* Total expenditures from these programs exceed 50% of the total Federal Awards and are considered major programs

**BASIS OF PRESENTATION**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Le Mars Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**LE MARS COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2006**

**Schedule 8**

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**Part I: Summary of the Independent Auditor's Results**

- (a) An unqualified opinion was issued on the financial statements.
- (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance, which is material to the financial statements.
- (d) A reportable condition in internal control over major programs was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding, which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
  - Clustered Programs:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Le Mars Community School District did not qualify as a low-risk auditee.

LE MARS COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2006

Schedule 8 (Continued)

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**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

There were no prior year audit findings.

**REPORTABLE CONDITIONS:**

**II-A-06 Financial Accounting – Segregation of Duties**

- A. Observation – The School District accountant is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements. We did note that the accountant is not involved with the receipt of any cash or checks and that invoices/claims are not paid until reviewed by the assistant superintendent. We also noted that the financial reporting is under the direction of the assistant superintendent.

Recommendation – With a limited number of personnel, segregation of duties is difficult. The School District has implemented management review procedures which we feel aid in improving the internal controls of the School District. However, we comment that this weakness exists and the duties of the accountant should be continually monitored by management.

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

Conclusion – Response accepted.

LE MARS COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2006

Schedule 8 (Continued)

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**Part III: Findings and Questioned Costs For Federal Awards:**

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

**III-A-06      Financial Accounting – Segregation of Duties**

Observation – The School District accountant is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements. We did note that the accountant is not involved with the receipt of any cash or checks and that invoices/claims are not paid until reviewed by the assistant superintendent. We also noted that the financial reporting is under the direction of the assistant superintendent.

Recommendation – With a limited number of personnel, segregation of duties is difficult. The School District has implemented management review procedures which we feel aid in improving the internal controls of the School District. However, we comment that this weakness exists and the duties of the accountant should be continually monitored by management.

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

Conclusion – Response accepted.



**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2006**

**Schedule 8 (Continued)**

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**Part IV: Other Findings Related to Statutory Reporting:**

- IV-A-06      Official Depositories – A resolution naming official depositories has been approved by the District. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2006.
- IV-B-06      Certified Budget – Disbursements for the year ended June 30, 2006 did not exceed amounts budgeted.
- IV-C-06      Questionable Disbursements – No disbursements were noted that they may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-D-06      Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-E-06      Business Transactions – There were no business transactions between the District and District officials or employees during the year ended June 30, 2005.
- IV-F-06      Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-G-06      Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-H-06      Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-I-06      Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-06      Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-06      Deficit Balances – Three student activity accounts had deficit balances at June 30, 2006.  
                 Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.  
                 Response - The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.  
                 Conclusion – Response accepted.

**LE MARS COMMUNITY SCHOOL DISTRICT  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2006**

**Schedule 8 (Continued)**

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**Part V: Findings – Year Ended June 30, 2005**

II-A-05 and  
III-A-05:

**Financial Accounting – Segregation of Duties**

*Condition:* The School District accountant is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements. We did note that the accountant is not involved with the receipt of any cash or checks and that invoices/claims are not paid until reviewed by the assistant superintendent. We also noted that the financial reporting is under the direction of the assistant superintendent.

*Recommendation:* With a limited number of personnel, segregation of duties is difficult. The School District has implemented management review procedures which we feel aid in improving the internal controls of the School District. However, we comment that this weakness exists and the duties of the accountant should be continually monitored by management.

*Current Status:* This finding still exists at June 30, 2006 (See Comment II-A-06 and III-A-06).



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the  
Le Mars Community School District

We have audited the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the LE MARS COMMUNITY SCHOOL DISTRICT as of and for the year ended June 30, 2006, which collectively comprise the Le Mars Community School District's basic financial statements, and have issued our report thereon dated August 9, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance:

As part of obtaining reasonable assurance about whether the Le Mars Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered Le Mars Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Le Mars Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-06.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe II-A-06 is a material weakness.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of Le Mars Community School District and other parties to whom the Le Mars Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Le Mars Community School District during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

*Williams & Langman P.C.*  
Certified Public Accountants

Le Mars, Iowa  
August 9, 2006



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education of the  
Le Mars Community School District:

Compliance:

We have audited the compliance of LE MARS COMMUNITY SCHOOL DISTRICT with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Le Mars Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Le Mars Community School District's management. Our responsibility is to express an opinion on Le Mars Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Le Mars Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Le Mars Community School District's compliance with those requirements.

In our opinion, Le Mars Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance:

The management of the Le Mars Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Le Mars Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Le Mars Community School District's ability to administer a major federal program in

accordance with applicable requirements of laws, regulations, contracts and grant agreements. The reportable condition is described in Part III of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item III-A-06 to be a material weakness.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of Le Mars Community School District and other parties to whom Le Mars Community School District may report, including federal awarding agencies and pass-through entities. This report is intended to be and should not be used by anyone other than these specified parties.

*Williams & Langman, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
August 9, 2006

**Schedule of Findings and Questioned Costs  
Corrective Action Plan  
June 30, 2006**

**Department of Education:**

Le Mars Community School District, respectfully submits the following corrective action plan for the year ended June 30, 2006.

The audit was performed by Williams & Company, P.C., P.O. Box 1010, Le Mars, Iowa, for the fiscal year ended June 30, 2006.

The finding from the June 30, 2006 Schedule of Findings and Questioned Costs is discussed below. The finding is numbered consistently with the number assigned in the schedule. Part I of the schedule, Summary of the Independent Auditor's Results, does include a finding and is not addressed.

The audit disclosed a reportable condition as identified in Part III of the accompanying Schedule of Findings and Questioned Costs.

**REPORTABLE CONDITIONS:**

III-A-06 – Financial Accounting – Segregation of Duties – National School Lunch Program CFDA #10.553 and 10.555 – Title 1 Grants to Local Educational Agencies CFDA #84.010

Recommendation – With a limited number of personnel, segregation of duties is difficult. The School District has implemented management review procedures which we feel aid in improving the internal controls of the School District. However, we comment that this weakness exists and the duties of the accountant should be continually monitored by management.

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

Conclusion – Response accepted.

If the Department of Education has questions regarding this plan, please call Todd Wendt at 712-546-4155.

Sincerely yours,

LE MARS COMMUNITY SCHOOL DISTRICT



Dr. Todd Wendt, Superintendent